

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2019-64-WS

Application of CUC, Inc. for Approval of an Increase in Rates and Charges and Modifications to Certain Terms and Conditions for the Provisions of Water and Sewer Service Provided to its Customers at Callawassie Island and Spring Island in Beaufort County, South Carolina

RESPONSIVE TESTIMONY
OF SUSAN B. MIKELL TO CUSTOMER
TESTIMONY AT THE PUBLIC
HEARING ON DECEMBER 9, 2019

1 **Q. Please state your name and title.**

2 A. I am Suzy Mikell, President of CUC, Inc. (“CUC”).

3 **Q. What is the purpose of your testimony?**

4 A. I am testifying in response to the customers who testified at the public hearing held on
5 Callawassie Island on December 9, 2019.

6 **Q. What is your reaction to having so many customers oppose your rate increase?**

7 A. It is difficult to see so many of our customers upset. I believe we have always provided
8 good service, and we value our customer relationships. However, CUC’s last rate increase was in
9 2014, and the company is nowhere close to earning its authorized rate of return.

10 **Q. Please respond to customers who desire the option of paying their bills on-line.**

11 A. As stated in my rebuttal testimony, CUC plans to offer this service. In response to the
12 concerns voiced by our customers at the hearing, we plan to offer an online payment option by the
13 end of 2020. We will update the Commission and our customers on our implementation plan for
14 an online payment option by July 1, 2020.

1 **Q. Please respond to customers who said they do not have enough time to pay their bills.**

2 A. While our bills are due on the 15th day of the month, we do not send late payment letters
3 until the end of the month following the bill, and we always try to avoid disconnecting service.
4 However, in response to our customers' testimony, we will change the due date for payment to 25
5 days after the bill is sent. Also, our plan to provide an online payment service next year should
6 alleviate these customers' concerns.

7 **Q. One customer said he would like to see more information about his charges on his**
8 **bill; how do you respond?**

9 A. As shown on the bill submitted as Public Hearing Exhibit 6, CUC's bill shows the
10 customer's current and historic usage over the past twelve months. Our customer is correct that
11 the base facilities charge is not broken out from the consumption charge on the bill, and we are
12 looking into reformatting our bills to provide this information.

13 **Q. How do you respond to customer complaints that CUC's rates are too high compared**
14 **to other water and sewer service providers?**

15 A. Many customers appeared to refer to the rate comparison in Pat Parkinson's testimony. As
16 I explained in my rebuttal testimony, this comparison is not useful. Most entities referred to by
17 Mr. Parkinson are public service districts, municipalities, or non-profits. They are non-profit
18 entities that do not pay income or property taxes and have access to different financing than private
19 utilities.

20 Rate comparisons with private utilities are problematic as well. For instance, a customer
21 testified that a utility he owned in North Carolina, had rates much lower than CUC. When asked,
22 he testified the utility was a provider of well water, unlike CUC, which provides water purchased

1 from the Beaufort-Jasper Water and Sewer Authority. Also, a review of public filings with the
2 North Carolina Public Utilities Commission shows the utility and its largest customer, a luxury
3 hotel, were owned by the same corporation. High Hampton, Inc. had \$50,883 in revenues and lost
4 \$16,213 in 2016, the year before our customers' company sold it.¹ So I respectfully disagree with
5 his testimony that this company is comparable to CUC. Utilities are operated with many purposes
6 and financial models, and the only way to evaluate CUC's application is based on its underlying
7 facts.

8 **Q. Some customers complained of high bills; how do you respond?**

9 A. I urge the Commission to remember that CUC bills on a bi-monthly basis for water and
10 sewer service. Some of the total amounts may initially seem high to you because they represent
11 usage over twice the customary 30-day billing period. I am also providing a confidential exhibit
12 with my testimony to respond to some specific allegations made.

13 **Q. Some customers questioned the company's control of expenses; how do you respond?**

14 **Q.** CUC's operating expenses were audited during this rate case, and we have agreed with the
15 ORS's recommended adjustments to them. The company's expenses are reasonable and prudent.

16 Some customers misunderstood the company's filings. For instance, one customer was
17 mistaken when he said a Mercedes automobile is a company asset being paid for by the customers
18 through rates. That is not true. CUC is only claiming mileage at the standard rate for this vehicle.

19 Other customers mistakenly believed CUC was asking to cover the salaries of both of my
20 daughters, who work for the company as office assistants. As explained in my rebuttal testimony,

¹ See Application for Transfer of Public Utility Franchise and for Approval of Rates of High Hampton, Incorporated, May 24, 2017. Docket W-1318 Sub 0. <https://starw1.ncuc.net/NCUC/page/docket-docs/PSC/DocketDetails.aspx?DocketId=eeec4627-2ac2-423f-97f7-87049d7f2b00>.

1 CUC included no expenses associated with my daughter, Jessica Jordan, who works for the
2 company.

3 **Q. Do officers receive 33% of the company's gross revenues in salaries and benefits as**
4 **several customers testified?**

5 A. No. CUC's officer salaries and benefits equaled 20% of the company's adjusted gross
6 revenues during the test year and would be 17% of gross revenues after the requested increase. I
7 would reiterate that CUC voluntarily subtracted officer bonuses from its application. Bonuses are
8 not charged to the ratepayers. CUC's officer salaries and benefits were not the subject of any
9 adjustment by the ORS. In his direct testimony, Pat Parkinson's testimony added "profit" to officer
10 salaries and benefits to arrive at his estimate that officers receive 33% of gross revenues. However,
11 if the company were owned by outside investors, they would be entitled to earn an operating
12 margin, but would still have to pay officer salaries.

13 **Q. Please respond to the testimony of customers who said CUC is marking up the cost of**
14 **water purchased from the BJWSA.**

15 A. CUC does not merely purchase water from BJWSA to mark it up for resale. These
16 customers do not understand that we provide service far beyond reading meters and billing. For
17 instance, one customer testified he assumed BJWSA would be responsible for major construction
18 or repair of water and sewer lines. That is clearly not the case, as is evidenced by our ongoing
19 operation to renovate our lift stations on Callawassie Island. I do not expect customers to be
20 familiar with the day to day operations of our companies, but these misconceptions should not be
21 relied upon by the Commission when it decides on our application.

1 **Q. Should CUC require employees to contribute to health insurance as many customers**
2 **testified?**

3 A. Several witnesses testified CUC's health insurance expenses were too high and the
4 Company should require its employees to share in the premiums. However, no witness offered
5 what a reasonable expenditure for health insurance would be. To merely focus on the concept of
6 premium sharing to control expenses ignores other relevant factors, such as premiums, deductibles,
7 co-pays, the plan benefits, and salary levels. As I point out in my rebuttal testimony, our plan has
8 a relatively high deductible, \$1,500/\$3,000 single/family, and a high limit on out-of-pocket
9 expenses, \$4,000/\$8,000 single/family. These criticisms are not useful in evaluating CUC's
10 expenditure for health insurance, which has not been challenged by the ORS's audit.

11 **Q. Please respond to criticism of the company's availability fees?**

12 A. At least one customer who owns a vacant lot did not believe she should be charged
13 availability fees. As I explained in my rebuttal testimony, the company wants to cease charging
14 availability fees because of the difficulty we have collecting them. However, availability fees are
15 not unusual for utilities, particularly in developing neighborhoods, and they offset operating
16 expenses otherwise absorbed by the company's active customers.

17 **Q. Two customers testified that the company should not charge a base facilities charge**
18 **for an irrigation meter, please respond.**

19 A. The base facilities charge is a necessary component of any utility rate that covers the fixed
20 cost of maintaining a utilities' facilities. If a base facilities charge were not imposed on irrigation
21 meters, these costs would be borne by other customers.

1 One customer claimed he was “scolded” for turning off his irrigation meters. CUC’s
2 meters require a special wrench to be turned off, so if a customer resorts to “self-help” with their
3 own tools they risk damaging the meter. I doubt the customer was scolded, but our staff may well
4 have told him he should not have attempted to disconnect his own service. If he wants to
5 disconnect his irrigation meter, we will gladly do so, and he will no longer be charged a base
6 facilities charge, but he has made no such request of the Company.

7 **Q. One customer testified that CUC failed to maintain and timely repair a fire hydrant.**

8 A. A customer claimed CUC took eight months to replace a faulty fire hydrant. We replaced
9 the fire hydrant, but it was always operational. The area around the hydrant was excavated to
10 provide clear access to the hose connection. Callawassie Island’s landscapers often build up berms
11 around the hydrants which obstruct the hose connection. A picture of this fire hydrant is attached
12 as Exhibit SBM-CR-1 and shows how close to the ground the hose connections are. This hydrant
13 was replaced with a new one that could be installed on an 18-inch riser. Our customers can rest
14 assured that CUC staff regularly inspects the system to ensure it is well maintained.

15 **Q. Please respond to customer criticism that the company does not have a website, and**
16 **its contact information is not readily available.**

17 A. I understand their concerns, and CUC will have a website online within the next few weeks.
18 However, our customers know how to reach us. We have an office on the premises for customers
19 on Callawassie or Spring Island. Our telephone number is on our bills. And a simple web search
20 will readily provide our contact information as demonstrated by the screenshot of search results
21 attached as Exhibit SBM-CR-2. We do not publicize the contact information for the Florence

- 1 office because it is more efficient for the local office to be the first point of customer contact.
- 2 However, our local personnel do not hesitate to provide my contact information on request.
- 3 **Q. Does this conclude your testimony?**
- 4 **A.** Yes, it does.

EXHIBIT SBM-CR-1



EXHIBIT SBM -CR-2

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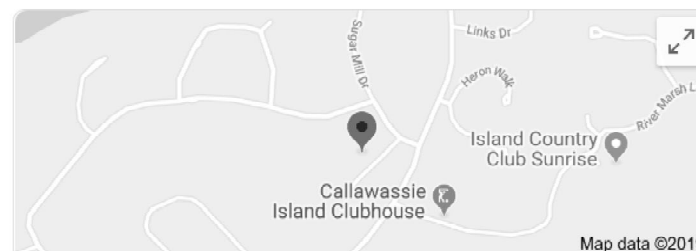
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